

# Choose or lose, another road to China's sustainable development

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## Valorization addendum



## 1 SOCIAL RELEVANCE OF THIS RESEARCH

In the era of globalization, corporations play an important role in the business world. On the one hand, they contribute to the rapid economic growth and the remarkable societal development. On the other hand, these achievements also create the current environmental crisis. More particularly, as an increasing number of industrial disasters frequently occur around the world, such as the Bhopal disaster, the Exxon Valdez oil leak, and the Mexican gulf oil spill, corporations are frequently blamed as an important source of many social and environmental problems. In this context, corporations become more vulnerable to the negative effects of their business activities and are expected to assume great responsibilities for addressing the urgent environmental crisis. As a response to the increasing public negativity, many companies start to participate in solving some social and environmental issues, through public welfare and environmental protection programs. Consequently, the growing interest in sustainable development, corporate social responsibility (CSR), and corporate environmental responsibility (CER) is considered as an important step for the business community to internalize these social and environmental impacts of their business activities. Despite the increasing interest from both the academic circles and the business community, there is a range of highly controversial topics in the current debate of CSR/CER. These topics are related to various issues, including the relationship between CSR/CER and corporate profit, the relationship between various stakeholders regarding the engagement of CSR/CER, the voluntary and mandatory debate of CSR/CER, etc. This research and its results contribute to the current discussion of CSR/CER by providing new insights about these controversial topics.

This research explains the increasing popularity of CSR/CER, its relationship with regulation, and its relevance to China's current situation. First, the current prominence of CSR/CER among corporations could be explained by various reasons. More particularly, the strategic CSR/CER hypothesis has attracted enormous attention, which basically argues that the engagement of CSR/CER could align with the corporate purpose of profit maximization for various reasons, such as a good corporate reputation, the reduction of organizational costs, the generation of long-term profits, etc. Second, this research also explores the increasing popularity of CSR/CER at the policy level by discussing the various roles of government in promoting the development of CSR/CER in the international context and in the European context. Third, this research is also quite relevant for China's current situation, by discussing the role of CSR/CER in addressing China's environmental challenges and by making some recommendations for improving China's CSR/CER development.

## 2. TARGET GROUP OF THIS RESEARCH

The results of this research as summarized in the final chapter can be of interest to various groups, including the academia, the policy makers, and the business community. The first important audience of this research is the academic scholars and researchers who have special interests in the topics of either sustainable development, corporate social responsibility, corporate environmental responsibility, corporate governance, and law and economics. By referring to this research, they can develop their own arguments and ideas in this field. Specifically, this research provides readers with a better understanding of the development of CSR/CER in China.

The second target group of this research is policy makers, given this research addresses an important question about the relationship between corporate social/environmental responsibility and regulation. The research results clearly show that policy makers at various levels could play and have already played an important role in promoting the development of CSR/CER. As formulated in the final chapter, the development of CSR/CER in China is still in its early period and is facing a variety of challenges, so this research provides some useful suggestions and recommendations for Chinese policy makers, particularly as to what lessons they can learn from the European experience in promoting the development of CSR/CER.

Last but not the least, the research results are also of immense interest for the business community. In face of the increasing public negativity, it is important for companies and their managers to fully recognize the add-on value of CSR/CER to improve corporate profitability. In this context, this research has the aim to raise awareness of CSR/CER among corporate managers and also to better understand their role in advancing CSR/CER.

## 3. PUBLICATION OF THE RESEARCH RESULTS

First, some chapters or section of this research have already been published or are expected to be published recently. For example, the book *Market Integration: the EU experience and implications for regulatory reform in China* (edited by Philipsen, N., Weishaar, S., and Xu, G.) published a chapter “The regulation of corporate environmental responsibility”, which discussed the phenomenon of CER from a law and economic perspective. The article of “The Chinese approach to CSR development: An analysis of CSR-government relationship in China” is already in the pipeline of being published in the Special Issue on the Global Governance of Corporate Social Responsibility, *International Journal of Business Governance and Ethics*(2017).

Second, during the past four years, some progress or results of this research have been presented at several conferences and seminars, including the International Journal of Business Governance and Ethics Workshop in Huddersfield, the UK, the 21<sup>st</sup> Ius Commune Conference in Maastricht, the Netherlands, and the Market Integration: The EU Experience and implications for regulatory reform workshop in Beijing, China. At these workshops or conferences, I have received many useful feedbacks, comments, suggestions from the audience with different backgrounds, which without doubt have made a contribution to developing my research.

Third, this research is also planned to be further improved and published in a book.

#### 4. INNOVATIVENESS OF THE RESEARCH

The first innovativeness of this research is based on the law and economic analysis of CSR/CER. Since its first appearance in the academic circles, the topic of CSR/CER was not appreciated in traditional economics as well as law and economics literature. In this respect, the position of Milton Friedman was well known, who basically argued that the only responsibility of business was to increase its profit. Notwithstanding the skepticism of traditional economics as well as law and economics towards CSR/CER, one can notice that these concepts enjoy increasing popularity today in practice and also at the policy level. This research explains this increasing phenomenon by introducing some new insights of CSR/CER from a law and economics perspective. The research results, as formulated in the final chapter, clearly show that contrary to Friedman's argument against CSR/CER, the engagement of CSR/CER could align with the profit maximization purpose of the company in various ways. More importantly, the law and economics analysis provides theoretical underpinnings to explain why CSR/CER fit the logic of profit maximization. Empirical evidence also shows that the engagement of CSR/CER could create added value for companies and hence could become a potential source of competitiveness in the market. To summarize, the increased interest in CSR/CER could be reconciled with the traditional aversion to CSR/CER in the law and economics literature, because corporate profitability and CSR/CER should not necessarily be considered as opposites. However, the law and economic analysis of this research also equally argued there may be problems in implementing CSR/CER in practice, for example, related to principal-agent problems between managers and shareholders or resulting from information asymmetry and green-washing (in the case of eco-labelling). Therefore, some form of regulation may be necessary to support CSR/CER. In this context, CSR/CER fits into what is referred to as conditional self-regulation.

Another innovativeness of this research is a closer look at the role of CSR/CER in China. Although today CSR/CER has become a global issue, the understanding and implementation of CSR/CER vary widely from continent to continent, from country to country and

from industry to industry. Up to now the concept and practice of CSR/CER have been primarily discussed in a global context and particularly in the European context. In this context, this research contributes to the current CSR/CER literature by depicting the development of CSR/CER in the Chinese context. The results of this research clearly show that the Chinese approach to CSR/CER differentiates from the European approach in many aspects, which could help scholars and practitioners to better understand the various CSR/CER issues in China.

## **5. HOW WILL THIS/THESE PLAN(S) FOR VALORIZATION BE SHAPED?**

The valorization of this research can be made in various ways. First, the research results will be made publicly available in the form of articles, presentations or discussions. The readers can easily get more information regarding various issues including the theory of CSR/CER, corporate sustainable practices, the regulation of CSR/CER, CSR/CER in China, etc. The readers are also welcome to exchange their ideas or provide their suggestions for the further improvement of this research. Second, the research results aim to help policy makers, more particularly the Chinese policy makers, to fully play their role in promoting the development of CSR/CER. This could be achieved by sending them brochures or giving presentations at a workshop or conference. As mentioned in various chapters, at its early period, the development of CSR/CER is facing many challenges. Therefore, it is important for Chinese policy makers to actively participate in this process. Third, the research results can also be made available to business and legal professionals via handbooks, brochures or presentations, which could raise their awareness of the business values of CSR/CER and help them integrate CSR/CER in business strategies in practice.